

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 CIAE-00 COME-00 INR-10 LAB-04
NSAE-00 SIL-01 TRSE-00 SS-15 NSC-05 OMB-01 DOE-15
SOE-02 H-02 DODE-00 PA-02 ICA-20 SP-02 /100 W
-----004740 091308Z /46

R 082216Z AUG 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 8307
INFO AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO

UNCLAS OTTAWA 03919

PASS TREASURY, DOC

E.O. 11652: N/A
TAGS: EINV, ETRD, CA
SUBJECT: MEDIA REACTION: AUTO INVESTMENT TALKS

REFS: A. OTTAWA 3854; B. OTTAWA 3856; C. OTTAWA 3861
D. TORONTO 1512 (NOTAL)

1. SUMMARY: ELECTRONIC AND PRESS MEDIA AUG. 5-8 GAVE GENERALLY FACTUAL COVERAGE OF KATZ/BERGSTEN PRESS CONFERENCE AUG. 4 AFTER TALKS WITH GOC ON INVESTMENT INCENTIVES. ACCOUNTS STRESSED BOTH SIDES AGREED BIDDING WAR MUST STOP, THAT CONSULTATIONS WOULD CONTINUE, AND THAT IF GOC INCENTIVES CONTINUE, THERE IS RISK US WILL TAKE SIMILAR STEPS.

2. QUEBEC MEDIA STRESSED COMMENTS BY TREMBLAY THAT FEDERAL GRANT TO FORD IN ONTARIO HAD UNDERCUT FEDERAL OFFER UNDER DEPARTMENT OF REGIONAL ECONOMIC EXPANSION (DREE) TO GM FOR INVESTMENT IN QUEBEC. END SUMMARY.

3. PRESS CONFERENCE WAS PAGE ONE STORY IN MOST PAPERS
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AUG. 5 TORONTO "GLOBE AND MAIL" SAID U.S. AND CANADIAN OFFICIALS AGREED BIDDING WAR MUST STOP BEFORE IT DEVELOPS INTO SOMETHING MORE SERIOUS. STORY QUOTES KATZ SAYING THERE IS DEFINITE RISK THAT IF USE OF INCENTIVES CONTINUES, THERE WOULD BE GREAT PRESSURE FOR WASHINGTON TO TAKE SIMILAR STEPS.

4. TORONTO "STAR" SAID CANADA AND U.S. HAVE AGREED IN PRINCIPLE TO STOP THE BIDDING WAR. IT QUOTES BERGSTEN SAYING NO SPECIFIC PLAN FOR ENDING THE INCENTIVES RACE WAS AGREED TO, BUT FURTHER MEETINGS ARE PLANNED TO WORK OUT A DETAILED FORMULA. "STAR" ALSO STATES SENIOR OFFICIALS IN WASHINGTON "ARE FURIOUS" AT THE WAY CANADA INDUCED FORD TO LOCATE IN ONTARIO AND NOTED KATZ AND BERGSTEN ARE TO MEET PRESIDENT CARTER AUG. 7 FOR AN UNPRECEDENTED BRIEFING -- A CLEAR INDICATION OF THE GRAVITY THE ADMINISTRATION PLACES ON THE CURRENT AUTO PACT TENSION.

5. MONTREAL "LE DEVOIR" QUOTES KATZ SAYING IT IS THE USE OF FEDERAL FUNDS IN THE FORD CASE WHICH BRINGS A NEW DIMENSION TO THE PROBLEM. "FEDERAL INTERVENTION IS NOT JUSTIFIED IN THIS CASE BY THE NEED FOR REGIONAL DEVELOPMENT, AS PER CAPITA INCOME IN SOUTHERN ONTARIO IS AT LEAST EQUAL TO THAT IN OHIO".

6. QUEBEC'S MINISTER OF INDUSTRY AND COMMERCE, RODRIGUE TREMBLAY, SAID AT PRESS CONFERENCE AUG. 7 THAT FEDERAL GOVERNMENT HAD UNDERCUT QUEBEC WITH ITS DECISION TO GIVE FORD CDOLS 40 MILLION. HE SAID THE GRANT MAKES A MOCKERY OUT OF THE POLICY OF GIVING MONEY TO ENCOURAGE COMPANIES TO LOCATE IN DEPRESSED REGIONS (SUCH AS QUEBEC). HE SAID QUEBEC HAD LOST A BATTLE BUT HAD NOT YET LOST THE WAR IN ITS EFFORT TO ATTRACT GM PLANT TO QUEBEC UNDER FEDERAL UNCLASSIFIED

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DREE PROGRAM. HE CONCLUDED THAT THE ONLY WAY TO AVOID THE EFFECTS OF FEDERAL ECONOMIC POLICIES WHICH CONSTANTLY FAVOR ONTARIO IS AN INDEPENDENT QUEBEC. ENDERS

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